Lloyds Bank Limited

MONTHLY REVIEW

JUNE 1934

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Lloyds Bank Limited Monthly Review

New Series—Vol. 5 | JUNE, 1934 | No. 52

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Problems of Stabilisation

By N. F. Hall (of London University)

ON June 21st, 1933, the Chancellor of the Exchequer in a speech before the World Monetary and Economic Conference, made a considered declaration of British monetary and economic policy. No subsequent statement of comparable authority has since been made, so it seems reasonable to suppose that there has been no change in the objectives of the British Government since that date. The twelve months that have passed since the declaration was made have clarified some of the issues which were raised, but have seen singularly little progress in the fulfilment of the conditions which were to be fulfilled before Great Britain could return to some form of an International Gold Standard. The experience of the past twelve months seems to suggest that we are in danger of putting the cart before the horse. Some of the conditions which we expected to be fulfilled before we stabilised the pound cannot, in all probability, be realised so long as the pound is unstable. The conditions were three: first, that there should be a rise in general prices sufficient to restore equilibrium between prices and costs; secondly, that the causes which led to the breakdown of the Gold Standard, such as reparations, war debts and trade barriers, tariffs, quotas and exchange restrictions, should be removed; and thirdly, that the future administration of the

Gold Standard itself should prevent wide fluctuations in the purchasing power of gold in so far as these arise from monetary causes.

In countries off the Gold Standard, there has been some further recovery of prices since the Chancellor's speech was made, but this recovery has been very small. The United Kingdom Board of Trade index number now stands at a slightly higher level than in June, 1933; the United States Bureau of Labour index number shows a rather more substantial rise; in Scandinavian countries there have also been small upward movements, and in British India the price-levels seem to have been roughly stable during the period. In gold *bloc* countries the rapid fall of prices has apparently been arrested, and although there has been some isolated further downward movements in the indices, on an average the movements have cancelled out, so that gold *bloc* prices may be said to have been roughly stable during the past twelve months. There clearly has not been a substantial rise either in gold or non-gold prices, so that if we take the Chancellor's declaration literally, the only conclusion is that his first condition, " a rise in general prices," has not been fulfilled. The phrase that he used, however, involved something a little wider than a rise in general prices. The rise was to be sufficient to restore equilibrium between costs and prices. This is a pronouncement to which it is difficult to attach any precise meaning. Costs and prices tend to be different aspects of the same idea; a cost is what you have to pay for something that you buy, and a price is what you get for something you sell. There is disequilibrium when a large part of the costs, including the service of capital, are fixed and prices are free to fluctuate. Evidence of equilibrium between costs and prices depends more, therefore, upon the volume of economic activity than upon any precise arithmetical relationship between an index of prices and an index of costs. Looked at from this point of view, it is possible to report some progress. Continuing contraction in economic activity has stopped, and on the present basis of prices and costs, there appears to be some return to earning capacity in industry, not only in Great Britain, but in other countries as well. Index numbers of security values which have recovered quite substantially in the United Kingdom, have also shown a persistent tendency to move away from their low levels in other countries, gold standard and non-gold standard alike. The industrial

shares index of the Netherlands, for example, in March, 1934, stood at 39 in comparison with the low level of 25 in June, 1933; and in Switzerland there has been a recovery in similar proportion. The figures for France have been influenced by political uncertainty, but in recent months there has been an upward tendency of security prices on the Paris Bourse. The recovery of earning capacity is probably a better sign of equilibrium between costs and prices than any figure indicating changes in the general level of prices itself. It seems, therefore, reasonable to conclude that some progress is being made in the fulfilment of the Chancellor's first condition, the restoration of equilibrium between prices and costs, even if there has not been that recovery in general prices for which he hoped.

Less progress has been made in the fulfilment of his second condition. While it is now practically certain that reparations are as dead as the dodo, and war debts probably equally so, little progress seems to have been made in the removal of obstacles to trade, such as tariffs, quotas and exchange restrictions. Quotas, so long as they were not arbitrary but were "international agreements for the better control of the marketing and production of important products," were actually welcomed by the British Government, and some progress has been made in the development of international agreements in such commodities as tin, rubber and sugar. Less progress has been made with wheat, while protective quotas have actually increased, and Great Britain herself is continuing to introduce them. Exchange control is as extensively practised to-day as it was a year ago, while little or no progress has been made with reductions of tariff barriers. Great Britain, it is true, has entered into a few more bilateral agreements, but the scope for agreements of this sort proves to be much less extensive than was hoped by those who believed that the adoption of a high protective tariff by Great Britain would enable her to bargain for reductions of tariffs in other countries. The truth is, of course, that tariffs as a bargaining weapon can have only a limited success. Bilateral agreements tend to divert trade rather than to increase it, and if President Roosevelt obtains the powers from Congress for which he is asking, the outlook for further successful bargains by Great Britain will be black indeed. The President is most likely to use his powers, if he gets them, to make tariff agreements not with Great Britain, but in competition with her.

There is, however, one weapon which Great Britain has not yet used for the reduction of tariffs and which she cannot use so long as the pound sterling is unstable. That is the weapon of financial concessions. Refunding operations on past loans which would ease the financial position of debtor countries, and a carefully regulated use on a moderate scale of new overseas loans, provided they were spent on British products, would probably be more effective as bargaining weapons in liberating international trade than a threat to exclude protected countries from the British market. It appears, therefore, that in waiting for the abolition of trade restrictions before she returns to gold, Great Britain is in danger of putting the cart before the horse. Further delay on this point will become increasingly dangerous as internal trade recovery continues. Already, during the current year visible imports show a tendency to increase more rapidly than visible exports, and as the increase is principally in raw materials, the figures cannot be kept in harmony by further restrictive tariff measures. We must therefore turn our attention to invisible export items if we are to maintain our balance of payments and to continue our own internal industrial recovery. The two most important items are profits on shipping and interest on past loans. We cannot make our shipping profitable in a way which will benefit our balance of payments, by any policy of internal subsidy ; the only thing which we can do is to take steps to increase the volume of merchandise being carried about the world. In the same way nothing that we can do internally can help to liquidate our past overseas investments. If we want to save something substantial from the wreck, we must begin to help our debtors to reconstruct by funding and other arrangements which will require the minimum amount of new money, but will help them to redevelop their capacity to pay. The financial resources which we can use overseas are not extensive, so that a policy of unrestricted foreign lending cannot be adopted with safety, but we should be able to use London credits to finance the export of British produced capital goods without endangering the pound. This is already being done on a small scale in spite of the exchange risks involved. A substantial contract for railway re-equipment over a period of five years has recently been made by a British manufacturer with a gold standard country. The exchange risk involved has necessarily been left uncovered. In this particular case it falls upon the purchaser. Stabilisation, by removing the exchange

risk, would substantially increase business of this type to the great benefit of the depressed exporting industries. Until the debtor countries overseas can re-equip themselves and can make new arrangements for financing their load of debt, they must inevitably rely upon quotas, tariffs and exchange restriction. British insistence upon the removal of these things before the pound is stabilised is beginning to do for international trade what the restrictive legislation with regard to new issues has done for the American Recovery programme. It is making a revival of activity in the capital trades unnecessarily difficult. We are unlikely to make further progress until we reverse the policy laid down a year ago.

The third " condition " laid down by the Chancellor was that the future administration of the Gold Standard should be such as to " prevent as far as possible, wide fluctuations in the purchasing power of gold so far as these arise from monetary causes." This statement can be interpreted as showing sympathy with almost every imaginable school of economic thought. The Chancellor must have been acutely aware when he made it that he was speaking for a National Government. But like the other conditions laid down by him, this also appears to involve a reversal of the practical order of events. If a more wisely administered Gold Standard system is to be inaugurated, London must play a large part in bringing it into being. Nothing is more calculated to delay desirable and financial reforms in the international monetary standard than an unstable pound, because London is *par excellence* the clearing house for short-term credits of the whole world, and has remained so in spite of the acute difficulties of the past years. The next chapter in the story of the development of a wisely administered international standard cannot be written when London, owing to an unstable pound, is partially ineffective as an international centre.

Even if we do decide that a stabilised pound is a necessary step in the development of a more wisely administered international standard, what developments are we expecting and what are the problems that must be solved before these developments are possible ? There are three ways in which the old automatic gold standard system of pre-war days can be improved. First of all, provision should be made to prevent geological accidents which determine the magnitude of available world gold supplies influencing the whole of world trading

activities. This means international economy in the use of gold in the event of a shortage developing, and sterilisation in the event of a glut. In practice, this will require development of an international Central Bank capable of creating a variable international credit structure upon the basis of the world's gold supply. Secondly, provision must be made to prevent any economic disturbance, such as a bad crop failure, or a local stock exchange boom, spreading itself through the whole international monetary system; and thirdly, the differences in the costs of transporting the precious metals from one money market to another which influence the gold import and export points, must be reduced. The first point is the most difficult and will only be satisfactorily solved after years of experience and experimentation. The other two raise problems of less complexity, and progress in their solution will help towards the development of an effective international Central Bank. I propose to examine them first before returning to the more difficult and more fundamental problem.

Up to 1931, considerable progress had been made in the problem of overcoming the effects which costs of transport had upon the gold points of outlying countries. The solution was being found in the development of the Gold Exchange Standard. Outlying centres such as India, the Philippines, and some of the South American centres had developed a system by which their local currencies were convertible not into gold coin or bullion, in their local banking centres, but into drafts upon London or New York. This system was first developed to "economise" the use of gold, the idea being that the gold exchange standard made it unnecessary for these countries to hold gold reserves and that they could rely indirectly upon the gold reserves of the great money markets. In this way the London and New York bullion reserves supported not only the local credit structures but also those of countries working a gold exchange standard by means of drafts upon these centres. The system has been severely criticised by French critics, who claim that these attempts to economise in gold were fundamentally unsound; and the breakdown of the gold standard in London and in New York has temporarily thrown the whole system into disrepute. This can only be regarded as a tragedy, because any sound international monetary system in the future will probably have to be based upon a more wisely conceived and administered gold exchange standard system. Mistakes in

the past have probably resulted from the emphasis that has been placed, for example, in the Genoa resolutions on currency upon the " economy-in-the-use-of-gold " aspect of the gold exchange standard. The lessons of 1925–31 in the administration of the system suggest that in the absence of a true international banking system, economies of this sort are not the really significant feature of the exchange standard system. The really important point is the reduction in the gold import and export point of outlying systems with a resulting improvement in the general efficiency of the whole gold standard system.

The Gold Exchange Standard system makes it possible to ignore the cost of transporting metal from an outlying centre to the principal world money markets, because the local currency is converted not into bullion which has to be physically transported, but into drafts payable in the reserve centre. The buying and selling prices for these drafts are the equivalent of the specie points, but they are usually fixed closer to the par of exchange. The result of this contraction in the specie points is to speed up the machinery of international adjustment which is the principal feature of the Gold Standard system. The more rapidly the adjustments can take place, the smaller will be the scale upon which disturbances can occur, and the smaller will be the movements of balances resulting from them. Hence, the really beneficial result which follows from a well-administered gold exchange standard system is a reduction in the scale upon which monetary displacements have to occur to hold the various parts of the international system in equilibrium. These benefits are most marked where the specie points under the ordinary Gold Standard mechanism would be wide owing to the remoteness of the country concerned. The removal of the influences of transport costs upon the movements of balances results in a closer integration of the whole international system, and removes one of the elements, though only a minor one, which may cause an alteration in the purchasing powers of gold.

Before 1931 there was, however, a defect in the administration of the gold exchange standard system not so much on the part of those countries that had adopted the system, but in those money markets in which the reserve balances of other countries were held. Strictly speaking, the presence in any money market of the reserve balances of other currency systems

ought to result in an increase in the gold reserves of that market. Moreover, a method should be developed by which changes in the size of these reserve balances can, if necessary, be prevented from influencing local credit conditions in the reserve holding country. If London, for example, holds the reserve balance of India, a net movement of balances out of London, driving sterling towards its gold export point, may be caused not by local English, but by Indian conditions. If London loses gold because the Indian balance of payments with the rest of the world is temporarily unfavourable, it does not necessarily follow that there should be any contraction of credit in Great Britain. If the gold exchange standard is to be satisfactorily developed in the future as a means of improving the general administration of the international standard, those money markets which are used as deposit centres for the cash balances of other currency systems will have to devise some machinery which will enable them to respond differently to movements of funds which result from internal causes, and those which result from disturbances in countries whose cash reserves they hold. So far as London is concerned, the nucleus of such machinery is already available in the Exchange Equalisation Account. This Account has developed a method which allows foreigners to increase or decrease their balances in London without necessarily either disturbing the sterling exchanges or the quantity of sterling in the money market. It has developed its policy with considerable success, so that to-day it appears to be true to say that there are in London two reserves of gold and foreign exchange. There is first the gold holding of the Bank of England, changes in which directly influence local credit conditions. The second is held by the Exchange Equalisation Account, and it can be increased as foreigners build up balances in London, and decreased as they withdraw them without any corresponding effects upon local credit conditions. The existence of a mechanism like the Exchange Equalisation Account makes possible further developments in the gold exchange standard, developments which will emphasise not the economising of gold, but the narrowing of the bullion points in the exchanges of geographically remote monetary systems. To some extent therefore Great Britain during the past twelve months has begun the work of developing a more satisfactory system for administering an international gold standard. It is greatly to be hoped that when the pound is stabilised some machinery similar to the

Exchange Account will be retained by London as part of its permanent equipment as an international centre holding reserve balances.

The second defect in the gold standard system as it operated prior to 1931 was the difficulty of isolating local disturbances, such as a serious crop failure, in the case of a country dependent upon the exports of a small group of primary products, or an inflated stock market in the case of an industrial country. The " automatic " gold standard tended to exaggerate the importance of occurrences of this sort by spreading their influences throughout the whole gold standard system. In the first case, a country whose balance of payments depends to a large extent upon the proceeds of a small group of exports, say wool and mutton, a bad drought might cause serious international as well as local repercussions. The reduction in the foreign balances obtained by the sale of exports might make the service of its external loans impossible. The automatic gold standard requires in such circumstances a severe internal income deflation, accompanied by a substantial reduction in imports and by attempts to force the export of other products. If the country concerned is a large one, say Australia, or the Argentine, the international repercussions of this policy of adjustment may be widespread deflation and depression. If the technique of the international gold standard in the future is to be improved, provision must be made for the isolation of local catastrophes of this kind. Before the war, London was strong enough to provide credits on a sufficiently generous scale to meet some of these situations as they arose. It is clearly desirable, however, that risks of this sort should be carried internationally and not by any one centre. Given adequate international banking facilities, the technical difficulties in problems of this sort should not prove insoluble. In some cases, a method of allowing the external value of the currency of the country affected to fall temporarily might meet the situation; in other cases special international credits could be arranged to carry the country through the difficult period. The terms upon which these credits will be provided and the way in which they are used would be a fit subject for the Bank for International Settlements to tackle. In principle they would be similar to the work of this Bank in arranging for the orderly solution of the transfer problems associated with reparation payments. The development of international policy

along these lines would make a very substantial improvement in the organisation and administration of the International Gold Standard system.

The problem of isolating the effects of a local stock exchange inflation in an industrial country is much more difficult to solve. In this case the dangers likely to follow internationally from any local disturbance depend to a considerable extent upon the character of the national banking system concerned. Prior to 1933, the banking system of the United States made it practically inevitable that an American capital inflation would be accompanied by a high rate for call loans in New York. These high rates did not act quickly in bringing about deflation in the United States, but they do seem to have had the effect of attracting short balances into New York from abroad. These movements of funds tended to raise short money rates in other banking centres where the typical short money rates are bill rates rather than call loan rates, with the result that deflation was more rapidly felt in countries losing balances to New York than in the United States themselves. International co-operation between Central Banks in the period 1927–29 seems to have taken the form of delaying restrictive action in New York for fear that the raising of the Federal Reserve rates would embarrass European countries in the first period of recovery from the post-war difficulties. It is difficult on other grounds than these to account for the reduction of the Federal Reserve rates in New York in April, 1927, just when the stock market situation seemed to be developing dangerously. International co-operation which requires one important centre to delay action which is demanded by local conditions for the supposed benefit of wider international interests must always be dangerous, and tend to exaggerate in the long run the international repercussions of any local disorder. Some system is needed under which the effects of local remedial action shall be isolated and shall be prevented from influencing other centres.

This possibly Utopian ideal cannot be achieved without the development of a really effective International Central Bank for Central Banks. Where such a system is in existence, it could be arranged that the more important monetary centres should hold some part of their gold reserves in the vaults of this institution. If any of the centres found it necessary to take internal action such as raising sharply its money rates to check

any undesirable local inflation, it could arrange simultaneously that any displacement of the gold holding of other centres where deflation was not necessary could be brought about by a book entry at the Central Institution. The gold held on account of the centre with high rates would increase, the balances of other centres would decrease, but the gold holding of the Central Institution as a whole would not be influenced. If such a transference of gold balances began to have an undesirable influence upon the centre losing gold balances, the International Central Bank would be in a position to relend to such centres the increased balances of the other centre, and probably even to increase the cash reserve of the whole international system by rediscounting the paper of centres losing balances, providing them with gold notes to replace the balance which they were losing.

The development of an international system of this kind would be a substantial improvement in the mechanism of the gold standard system. It would do away with defects in the existing machinery of monetary management under which a rise in bank rate in any centre for purposes of deflation and control may serve to increase the cash assets of that centre by attracting to it balances from elsewhere. This dual effect of a change in bank rate tends to delay the local effectiveness of a rising money rate until rates have been raised universally so that balances can no longer move from centre to centre with advantage. Even if the initial disturbance bringing a higher level of money rates is local in character, the ultimate result of the present system is the diffusion of the impact of the restriction measures throughout the international system. But until a really effective international bank is developed, this characteristic weakness of the gold standard system must remain.

We are now in a position to return to the first problem of devising a system to reduce the influence of a world glut, or a world shortage of gold. The difficulty can be met by an elaboration of the procedure which we have just been examining. In that case, the total gold held by the International Central Bank was not altered, but its ownership among the several national central banks was changed. The effects of these changes in the ownership of the metal were to be offset by international bank loans arranged by and through the International Bank. In the case of a world shortage of gold, the

situation could be met by an extension of credit by the International Bank itself, either in the form of international gold notes, or of deposits on the books of the Central Institution which could be readily transferred amongst the participating national central banks and counted by them as cash reserves.

By this time the reader must be feeling that he has wandered far from the regions of the practical into realms of Utopian idealism. The world to-day is in the grip of autarchy and all the crudities of economic nationalism. We have been examining a system of international monetary administration which will demand for its realisation a very high degree of international co-operation and goodwill, and yet, in our examination, we have only been attempting to outline in as severely practical a way as we possibly can some of the considerations involved in the conditions laid down by the Chancellor of the Exchequer with regard to the future administration of the international Gold Standard before Great Britain can stabilise the pound. Our examination of the difficulties involved in securing the future administration of the International Gold Standard which will prevent wide fluctuations in the purchasing power of gold, in so far as these arise from monetary causes, must have made it abundantly clear that there is little prospect of the machinery needed for this purpose being developed until the pound is stabilised. In laying down this third condition, Great Britain has put the cart before the horse with a vengeance.

The past twelve months, however, have not been entirely wasted so far as the realisation of the objectives of the British monetary and economic policy are concerned. We have already seen, in discussing the difficulties of administering a Gold Exchange Standard system that the experience gained by the operation of the Exchange Equalisation Account may result in a permanent improvement in the machinery of London as an international monetary centre. If we can retain and develop this significant experiment, we do not have to choose between retaining an unstabilised pound and plunging headlong into an unorganised International Gold Standard system. The existence of the Exchange Account should enable us in the future, when the time is ripe for the stabilisation of the pound, to obtain the benefits of adhering to an international standard without running all the risks of the 1925–31 period. The

Exchange Account also gives us an instrument through which we can co-operate in the development of the Bank for International Settlements, and in the building up of a better-organised international monetary system. We cannot, however, take our share in this work so long as our currency is unstable. To-day the time is ripe for a reconsideration of British monetary policy and a restatement of the conditions which we expect to see fulfilled before the pound is stabilised.

N. F. Hall.

Some Aspects of the Unemployment Problem

THE extent of unemployment is very properly regarded as the touchstone both of the state of trade and of the success of the economic and financial policy of the Government, and in judging each new measure of the Government it is natural to begin by asking what will be its effect upon unemployment. It is by now common ground that there is no single solution to the unemployment problem, nor can its many and complicated ramifications be discussed in a single article. There is, however, one angle from which the question can be approached, and while such an approach is by no means complete, it is not without some importance, and also has a direct bearing upon some of the underlying problems of the recent budget.

This angle of approach consists of dividing the industries of the country into three very broad groups, and in making a tentative guess at the division of unemployment between them. The three groups consist of :—

(*a*) the manufacture of capital goods,
(*b*) the manufacture of consumers' goods,
(*c*) manufacture for export.

The sub-division of unemployment between these three main groups of industries is admittedly very difficult to carry out in practice, and the published information at the best leads to results which are largely a matter of guesswork. Still, the conclusions to which it leads are of such far-reaching importance that it is worth devoting a little time to the examination of the problem.

The difficulties fall under two heads, namely, the definition of the three main groups and the allocation of existing unemployment between them. The definition of export goods is easy enough, for the nature and size of our exports is revealed month by month in the trade returns. The distinction between capital goods and consumers' goods, however, is a very debatable point. One possible definition is that capital goods are goods used in the production of other goods, and this covers such goods as plant and machinery and the factories and buildings which house them. Equally can it be stretched to cover the means of transportation and distribution, and so includes railways, locomotives and rolling stocks, roads and road vehicles, and also warehouses and shops together with their necessary

equipment. It excludes, however, private dwelling-houses, furniture and private motor cars. Another definition, which is just as tenable, is that capital goods include all articles whose owner buys them in order to keep them for an indefinite period, while consumers' goods include such things as food and clothing, and also all services as distinct from goods. Under this definition, houses, furniture and motor cars would rank as capital goods.

Sufficient has been said to show that any attempt to define either capital goods or consumers' goods must be made with the greatest caution, and even then many border-line cases will be found. Whatever definition is used, there will always remain an important range of products which cannot definitely be allocated. The coal mined during the year is partly exported, and partly used in the production of capital goods and consumers' goods, almost indiscriminately. When pig-iron is tapped from a blast furnace, it is very difficult to say if it will ultimately go to the manufacture of capital goods such as steel rails, or consumers' goods such as tin cans for food. The chemical industry is an even more difficult case, because chemicals are used by almost every industry in the country. According to the first definition, chemicals are capital goods, but according to the second definition they are consumers' goods; and their classification as consumers' goods certainly appears more sensible.

These problems arise in acuter form when we come to the second main difficulty, namely, the allocation of existing unemployment between the three main groups. It must be remembered that the computation of the total number of unemployed and the monthly classification of the unemployed between different trades as shown in the *Labour Gazette*, are both based on the information contained in the unemployment book lodged at the Labour Exchange by each man as he falls out of work. Now the unemployed man when he lodges his book does not know to which of the three main groups of industry he belongs. Even his late employer would very often be unable to help, for he could only reply that he accepted any order that came to hand without inquiring as to its ultimate purpose. A re-arrangement of the classification given in the *Labour Gazette* might be of some assistance, but even so the statistical problem of allocating the unemployed would remain almost insoluble.

As a pure matter of guesswork, based on a general examination of the statistics published in the *Labour Gazette*, it appears that very roughly speaking current unemployment is divided almost equally between the three main groups. A prolonged and careful investigation might reveal a preponderance of unemployment in one or other of the groups, but it seems fairly safe to say that in considering unemployment in general, none of the groups can be neglected. The following arguments are based on this very general and incomplete assumption.

While initially it is easiest to consider each of the three main groups independently, we shall finally show that they are intimately connected with each other, and that any step calculated to increase the demands for the goods of one class will react favourably upon the other classes as well. Beginning first with a consideration of capital goods, the simple but incomplete argument is that before either a manufacturer or an individual can buy capital goods he must be in possession of the capital needed to pay for them. This sounds very elementary, but it brings to light several important points.

Initially money must be saved—either by the manufacturer himself, as when a company puts part of its profits to reserve, or by other people, including the investing public. Saving alone, however, is not enough. There must also be the desire to invest; and among other considerations the yield obtainable on the investment will exercise a great influence.

This argument, however, is very incomplete, for the overriding factor is that if the potential purchaser of capital goods can obtain the capital with which to pay for them, he will not buy those goods unless and until he is satisfied that he can put his new goods—for example, additional machinery—to profitable use. That implies that the likely demand for what he himself produces is sufficient to justify either the replacement of existing machinery or else the installation of additional machinery. Unless he feels justified in launching out in this way, he will not be disposed to obtain fresh capital for the purchase of capital goods, even if fresh capital is available and is offered to him.

The demand for capital goods, therefore, really rests upon three factors, which are enumerated in order of importance:—

(1) A prospective improvement in the demand for the products of industry.

(2) The power and desire of people to save.

(3) The desire of people to invest.

To complete our examination of capital goods in isolation from the remaining groups, it is easy to see how public policy can best be directed towards the fulfilment of the last two of these factors. Savings consist of the margin between current income and expenditure, and any taxation which reduces income or increases expenditure tends to diminish savings. Again we have already seen that the desire to invest is governed partly by the yield on the money invested, and so a high tax upon the income from investments reduces the desire to invest. On these grounds, any reduction in income tax is likely to increase the supply of capital seeking investment. Moreover, a reduction in the standard rate is more effective in this direction than any increases in individual allowances. There is a double reason for this. Firstly, income tax at the standard rate is imposed on profits earned by companies and put by them to reserve, and so a reduction in the standard rate is the only way in which reserve allocations can be increased. Secondly, a reduction in the standard rate helps particularly the large incomes, and leaving on one side all questions of social justice, it is the recipients of the large incomes who in the aggregate have most to invest.

Judged solely from the standpoint of the quantity of capital seeking investment and its influence upon the demand for capital goods, it appears that there is a direct connection between the burden of taxation and the state of employment in the capital goods industries. Provided that there is also increased scope for the employment of new capital goods, it follows that by reducing the standard rate of income tax, the Chancellor should be directly stimulating employment in the capital goods industries. It is now necessary to return to the first and most important of the three factors enumerated upon a previous page. Ultimately capital goods are mainly used in the production, transportation and distribution of consumers' goods, and if the demand for consumers' goods falls away, the demand for capital goods will shrink too. This point gains additional emphasis from the circumstances of to-day. Without being dogmatic, all the available evidence suggests that there exists now an ample accumulation of savings, for which the owners would be only too glad to find secure and profitable employment. There is also evidence that so far from there

being a need for additional machinery, there is much serviceable machinery standing idle. That is why the first factor, namely, the demand for the products of industry, predominates in importance.

This brings us, therefore, to the question of the demand for consumers' goods. We have arrived there by two different routes, both by the direct route, because consumers' goods are one of our three main groups, and also by the route of capital goods. Now the demand for consumers' goods ultimately depends upon the volume of general purchasing power, that is on the size of real incomes, measured in commodities and not in money. Here, too, unlike the position that arose when we were considering the supply of capital, it is the smaller incomes and not the larger incomes which are most important, for the recipients of the smaller incomes are in the vast majority. Any action which adds to the more numerous smaller incomes is the action best calculated to increase the demand for consumers' goods—and, as we have already seen, for capital goods as well.

It is here necessary to enter upon a slight digression, in order to dispel certain widespread misconceptions. It is tempting to argue that the quickest and simplest way of increasing incomes is to print a sufficient supply of currency, and make every wage-earner a weekly present of a five-pound note. The argument is not usually phrased in this crude form, but many serious proposals for monetary reform or for the expansion of credit only differ through being less crude and more scientific and complex. Now if we could be sure that currency inflation of this kind would begin and end with a proportionate increase in consumption, then such schemes would have to be considered seriously. Unfortunately, this is by no means the case. Initially there would be an increase in consumption, with some general improvement in employment, but, so soon as this began, another consequence would automatically follow—namely, a general rise in prices. To the extent that prices rose and wages and other income failed to follow, the benefits accruing from inflation would automatically be dissipated. Money incomes, it is true, might be permanently raised, but the increase in real or commodity incomes would at best be short-lived; or there might be an actual decrease. Before long, everyone might find that in reality they were worse off than before, so that the demand for consumers' goods would have contracted and not expanded.

When, however, the Chancellor has a surplus at his disposal, the position is entirely different. It is no longer a question of creating currency or credit in the vain hope that purchasing power will be permanently expanded. Instead, the money is already being collected and it can be distributed in the way best calculated to bring about an improvement in purchasing power, with complete assurance that the improvement will last. Hence, in using part of his prospective surplus for the restoration, wholly or in part, of the cuts made in unemployment benefit, in transitional payments to the unemployed, and in the salaries paid to the huge army of State servants, the Chancellor has taken a step well calculated to increase the demand primarily for consumers' goods and indirectly for capital goods as well. Nor will the additional purchasing power so allocated be dissipated in a rise in prices to the extent which it probably would have been, had it arisen from inflation and not from a genuine surplus.

There is, however, one possible danger. This fresh purchasing power ought not to be dissipated in a rise in prices, but it may be dissipated in an increase in imports. Many of the necessities of life either cannot be produced at home, or else are not produced in sufficient quantities or at a competitive price. Now were such an increase in imports to occur, and were it not to be balanced by an increase in exports, several untoward consequences would follow. Firstly, the improvement in employment at home would not take place, or would take place only to a limited extent. Secondly, our external balance of payments, which was only just rectified last year, would again become adverse. This in turn would react upon the foreign exchanges and would in time bring about a depreciation of the pound. A rise in the sterling prices of all imported commodities, including many of our essential foodstuffs and raw materials, would very probably follow, and this would again involve us in fresh difficulties.

There is, however, one obvious way of escape from this dilemma. Theoretically, a further depreciation in the pound and a rise in the sterling cost of imported commodities should reduce our imports and stimulate our exports, and to that extent restore our trade balance and arrest the depreciation of the pound. In practice, so favourable a consequence would not immediately follow, for international trade is to-day beset with a network of restrictions so that it cannot respond to the normal

stimuli. It appears that some conscious effort would be needed on our part in order to translate economic theory into commercial practice.

This brings us back to the third group of industries, namely, those engaged in the manufacture of export goods. Whatever may be the state of our balance of payments with the world as a whole, it is common knowledge that *vis-à-vis* certain foreign countries it is so much in our favour, that they can neither maintain their normal purchases of our goods nor pay us the money due to us on past purchases. The network of import and exchange restrictions abroad, and the huge sums of British-owned money immobilised in blocked accounts abroad bear mute but decisive witness to this fact. Equally, the discussions now proceeding as to the relative claims of home and Dominion farmers to the British market suggest that what is needed is an expansion of consumption in Great Britain, and it is conceivable that with a reasonable volume of consumption here, the market would be big enough not only for the British and Dominion farmer, but for farmers in those countries which under normal conditions are substantial purchasers of British goods.

These facts point to the attitude which we should adopt in the interest of our export industries. We should recognise and admit that any steps taken to increase general purchasing power in Great Britain will automatically lead to some increase in our imports, but instead of deploring it, we should at once keep a careful watch upon our trade returns to see when this increase begins to take place, and to discover from which particular countries these additional imports are coming. The moment such an increase is detected, we should make special representations to the countries concerned. In one case, we might press for the release of British money blocked in that centre, for such money on its release would become available for expenditure or investment at home and so would assist home trade. In another case we might press for concessions regarding the importation of British goods, or even use the evidence of increased British purchases of the country's goods in support of our negotiations for a Commercial Treaty. To the Dominions we might be able to demonstrate that the British market was expanding to the point where there would soon be room for both the British and Dominion farmer. In short, we should not be disturbed by any increase in imports which might

follow an expansion of purchasing power at home. Instead, we should use such an increase as a lever for the restoration of our export trade and for creating additional employment in our export industries.

This concludes the analysis. It does not pretend to be complete, and the statistical evidence upon which it was originally based is approximate in the extreme. Still it appears that there is a definite connection between the three main groups of capital goods, consumers' goods and export goods, and that any action taken to assist one particular group can be made to assist the other groups as well. The real need is for balanced action, designed to take effect all along the line. Whatever the ostensible motives behind the budget, it certainly seems likely to be achieving this happy result. It is to be hoped that future policy will possess the same balance, will correlate properly the allied needs of the three groups, and so will continue to work towards the common objective of the revival of trade and the restoration of employment to the majority of those who are now in need of it.

Notes of the Month

The Money Market.—The discount market has remained very inactive, and discount rates have shown a tendency to weaken. During the past few weeks national revenue has compared very favourably with national expenditure, and in consequence there has only been a very moderate increase in the floating debt. It is true that between April 28th and May 26th, the total Treasury bill issue increased from £843·2 to £864·2 millions, but the total of outstanding bills issued by tender only rose from £482·6 to £492·9 millions. Inasmuch as Ways and Means Advances from Public Departments fell from £35·5 to £14·0 millions, it looks as if Public Departments have been taking up most of the additional Treasury bills. Nor was fresh borrowing needed to finance the $3\frac{1}{2}$ per cent. War Loan dividend payments on June 1st, for a call of £45 millions on the new 3 per cent. Funding Loan fell due on that date, and this provided the Treasury with more than the funds needed for the War Loan dividend. Discount rates have slightly weakened. The clearing banks have lowered their minimum rate for hot Treasury bills from $\frac{15}{16}$ to $\frac{7}{8}$ per cent., and outside buyers are prepared to pay $\frac{13}{16}$ per cent. Bank bills have also been dealt in at $\frac{7}{8}$ per cent., and even lower rates, but hardened slightly at the end of the month. Money has been variable. There is no doubt that supplies of "outside" money are less than they were a year ago, and that more is having to be borrowed from the clearing banks. Again the Stock Exchange has at times been borrowing a fair amount of short money. Still all available evidence shows that there is an ample supply of credit, and taking the country as a whole—as distinguished from the money market—there is room for a considerable expansion of credit so soon as a legitimate demand arises.

The Foreign Exchanges.—The main event of the month has been the decline in sterling against both the dollar and the French franc. Now that the dollar is linked to gold at a parity of 6·63 cents to the French franc, the two rates naturally tend to move together, and this is true whether the pressure on sterling comes from Paris or New York. To some extent the decline in sterling is psychological. The French financial position has for the moment improved. Gold is returning to the Banque de France, and the Paris credit position has become easier.

On May 31st the Banque de France reduced its rediscount rate from 3 to 2½ per cent. Hence it is natural for French funds which were transferred to London at the time of last year's crises to be returning to Paris. Another factor may be this year's increase in the British adverse trade balance. Last year, our final balance of payments was only just in equilibrium, while for the first four months of 1934 our excess of imports over exports was £17 millions greater than in the first four months of 1933. This increase naturally inflicts additional pressure upon the pound. During the latter part of May, both the British and French controls intervened, and sold francs in order to support the pound. Meanwhile the dollar has also been gaining in strength against both the pound and the franc. It is too early in the year for there to be any seasonal demand for dollars, but there is some evidence that speculative sales of dollars made earlier in the year have lately been covered. It is also possible to link up the strength of the dollar with the recent signs of weakness on the London Stock Exchange, for American holders of British securities may have been selling and repatriating their funds. Again the development of the adverse trade balance is more likely to affect the dollar than the franc, and apart from this the recent appreciation of the dollar brings the exchange more into line with the equilibrium rate corresponding to the relative levels of British and American prices. Up to the end of May there was no evidence of any official American intervention in the foreign exchange market. How long the British control will continue to operate is a matter of some doubt. It is not the function of the Exchange Equalisation Account to resist natural movements of sterling, due to such influences as the development of an adverse balance of payments. At the same time it may be assumed that the British and French authorities will work in co-operation, and should the pound depreciate much further against the franc, it will necessitate a fresh deflation of prices and costs all over the gold *bloc,* and will also add to the chance of the gold *bloc* countries having to abandon the gold standard. This would introduce a new element of instability into the world's affairs, and it seems likely that every effort will be made to prevent a major *contretemps* of this nature.

The Stock Exchange.—A slight note of hesitation became apparent in many markets during May, and by the end of the month it had developed into a definite recession. Too

much stress should not be laid on this set-back, but it may be fair to suggest that prices have fully responded to the moderate trade revival which has so far taken place, and that operators are beginning to realise that fact. The gilt-edged market remained very steady, but with a tendency of prices to fall towards the end of the month. The new 3 per cent. Funding Loan is having to be absorbed, and banks and other financial houses are buying British Government securities less freely than a year ago. Foreign bonds have been irregular. German issues were affected by the delays and doubts attending the long-term creditors' negotiations, while Japanese bonds have also been subject to political influences. Home railway stocks have weakened. Traffic comparisons with the previous year are less encouraging than they were a few months ago, and the market is still influenced by the wages question. Industrial share prices are mostly lower than they were a month ago, and the fall has slightly affected market sentiment regarding the general trade outlook. The oil market has been irregular. The announcement of the rubber restriction scheme had been fully discounted in advance, and the news that restriction would only be applied by degrees had a discouraging effect. As a result there was a certain amount of profit-taking during May, which in the absence of fresh buying led to a moderate and not unhealthy reaction in share prices. Base metal shares have been irregular, but the increase in the tin quota did not adversely affect the market. Gold mining shares strengthened on the news that the South African Government proposed to make no change in the tax formula, and this market is the main exception to the general set-back.

Overseas Trade.—Superficially the April trade returns suggested a slight recession, for in comparison with March, imports fell from £62·0 to £56·3 millions, and exports of British goods from £33·1 to £30·1 millions. Owing to the delay in collecting the necessary statistics, however, the April returns in reality included the period of the Easter holidays, and this factor accounts for the decline. Still while there has been no real decrease, there is equally no sign of a further improvement. The most that can be said is that the decline in raw material imports was proportionately less than the decline in many of the other items, and that this implies that home production and trade is being relatively well maintained.

Description	Jan.-April, 1933	Jan.-April, 1934	Increase (+) or Decrease (–)
	£ mn.	£ mn.	£ mn.
Total Imports	210·1	240·0	+29·9
Retained Imports	194·0	220·1	+26·1
Raw Material Imports	55·3	74·7	+19·4
Manufactured Goods Imports	46·1	55·4	+ 9·3
Total Exports, British Goods	116·1	124·8	+ 8·7
Coal Exports	9·8	9·7	– 0·1
Iron and Steel Exports	8·9	9·9	+ 1·0
Cotton Exports	21·0	19·4	– 1·6
British Manufactured Goods Exports ...	89·6	95·6	+ 6·0
Re-exports	16·1	19·9	+ 3·8
Total Exports	132·2	144·7	+12·5
Visible Trade Balance	–77·9	–95·3	–17·4

Taking the first four months of the year as a whole, the salient feature is the big increase in raw material imports. This accounts for the increase in both our total imports and our visible trade balance. Exports are better than in 1933, but it is becoming a question whether one consequence of the improvement in home trade and the increase in our purchases of raw materials may not be an adverse balance of payments for the current year. In our present strong financial position this will not cause much anxiety, but it does point to the need of reviving our export trade. This, however, depends upon world conditions which are largely beyond our control, and in any case it is very early to attempt to forecast the final results for the year.

Home Reports

The Industrial Situation

The improvement in home trade is well maintained, particularly in the heavy industries and in the manufacture of motor cars. The recovery is less pronounced in the textile trades, and the continuance of the German embargo upon wool imports has had a deadening effect upon wool prices. April witnessed the normal seasonal improvement in employment, and such general indicators as raw material imports, railway traffic returns, electric power consumption, provincial bank clearings and new building permits continued to show appreciable improvements over last year. The Board of Trade production index for the first quarter of 1934 was 109·0, against 100 for 1924, 94·8 for the first quarter of 1933, and 105·0 for the last quarter of that year. The retail trade returns for April were less encouraging in comparison with a year ago than those of previous months, but it must be remembered that the Easter shopping season fell in April last year and in March this year. Reports from the smaller industries are on the whole encouraging, but most districts allude to the difficulty of securing any improvement in our export trade. There is no doubt that the recovery is largely confined to the home market, and as explained on the previous page this is beginning to react upon our trade balance. News from abroad is variable in character. Empire trade reports are moderately hopeful, and French conditions are a little better. The German position is very obscure, owing to the changes now taking place in Germany's economic system. Scandinavian news is on the whole good. The American outlook is once more becoming very uncertain and difficult to interpret.

Agriculture

England and Wales.—According to an official report, at the end of April, autumn-sown crops were generally looking well. Germination of spring-sown corn has been good, and plants are healthy and promising. Conditions were favourable for the planting of potatoes, and normal progress has been made with the sowing of mangolds and sugar beet. Growth of grass in the pastures has been slow and did not really begin until the middle of April. Livestock have made some progress,

but the condition of cattle is below that of recent years. Milk yields have been maintained.

Scotland.—The cold weather during early May has retarded growth but all kinds of vegetation are looking well, and given a spell of warmer weather, should readily respond. In the produce markets, wheat has been steady and in good supply, and barley has been dull with the lower qualities in fair supply. Oats have been steady and in fair demand. Potatoes have been exceedingly quiet. In the livestock markets, first grade bullocks of useful quality have been scarce and commanded firmer prices. Store cattle have also been in demand, while sheep have been the turn dearer.

Coal

Hull.—Enquiries are falling off and prices are weaker in all sections.

Newcastle-upon-Tyne.—The market remains firm for all classes of steam coal. Trade in gas-coal is quiet, but coking coal is in better demand with prices slightly higher. Bunker coal is in fair demand, and best qualities are firm. There is a strong market for coke, and makers are holding out for higher prices. Stocks are much below normal and there is a good enquiry for summer and later delivery.

Sheffield.—The export market remains steady. There is a constant demand for industrial fuel, but trade in house coal is quiet.

Cardiff.—Enquiry in all sections of the steam coal market is poor, both for prompt and forward shipment. Consequently all classes are readily obtainable at minimum prices. Stocks of all descriptions are adequate and no appreciable change in the position is anticipated in the near future. Demand for coke remains good, and all qualities are firm and scarce.

Newport.—April shipments were 25,000 tons less than in March, but 4,000 tons above those for April last year. The main increase since last year is in shipments to British coal depots. Shipments to Portugal, Italy and South America have declined.

Swansea.—The anthracite market remains very irregular. Best qualities are moving satisfactorily, but second qualities and inferior qualities are generally quiet and the tone is dull. Bunker throughs continue weak.

East of Scotland.—In Fife there is a brisk demand for first-class steam coal, but the poorer classes are less active. The position of steams in the Lothians is steady with little apparent change. On both sides of the Forth washed fuels, although rather easier, continue to move off as produced. Trebles are still weak.

Glasgow.—The export market is fairly steady. Considerable quantities of coal are being taken for foreign shipment, particularly to Scandinavia. Tonnage, however, is not in ample supply at the loading ports, and so exporters are securing coal at bargain prices where collieries are in need of a clearance. The market undertone is generally good, and prices are firm, except in Lanarkshire where the decline in home trade is being felt. Forward contracting is on a very moderate scale.

Iron and Steel

Birmingham.—Forward buying shows considerable contraction. The market weakness coincides with an effort to establish a higher price basis. Pig-iron is the brightest feature at present, and light castings are in active demand. Current orders are good and there are indications that the seasonal slackness will not be so pronounced as usual.

Sheffield.—The steel trade continues to expand. There is an increased demand for open-hearth steel and special steels. Rolling mills and forges are working at nearly full capacity.

Tees-side.—Home trade continues active, and the output of pig-iron is substantial. Current contracts are absorbing production, and makers have no stocks upon which to draw should demand continue to increase. Unfortunately there is no improvement in the export trade, and business abroad is secured only by offering iron at very low rates. Steel manufacturers have fairly good order books. Disturbed international conditions have caused a certain amount of hesitancy in capital expenditure. This is affecting development schemes upon which the steel industry depends very largely for employment.

Wolverhampton.—Foundries are fully occupied in all classes of work. There is a welcome renewal of activity in the local tube trade.

Newport.—Most of the iron and steel works are still busy, but conditions in some sections are certainly less active than a month ago. Blaenavon Works have reopened and every possible effort is being made to arrange a restart at the Ebbw Vale blast furnaces.

Swansea.—The tinplate trade is improving. Demand from all countries has increased since the price was stabilised on May 1st at 17s. 3d. per basis box. There is also a slight improvement in the steel trade.

Glasgow.—Makers of iron and steel are still handicapped by the scarcity of export business, owing to keen Continental competition. Home orders are of good volume, but production is in some cases at a lower rate than in the earlier part of the year. In the sheet trade the home demand is satisfactory, especially from motor car manufacturers, who appear to be very busy. The tube trade is deriving benefit on the export side from the international cartel agreement, and is now busier than it has been for a considerable time. Manufacturers of re-rolled steel and of wrought iron are much in need of orders. Producers of pig-iron are disposing of the output of the fifteen furnaces in blast with little difficulty. There is a particularly good demand for hematite and basic qualities.

Engineering

Birmingham.—Motor manufacturers are very busy. Productive capacity was increased where possible in order to expedite deliveries for Whitsun. The light car industry has encountered increased demand from the home market, and in many cases exports show a considerable improvement. Makers of motor cycles and pedal cycles are also busy, but makers of accessories are not so inundated with orders as they were a short time ago. The recent improvement in the heavy electrical equipment industry is maintained.

Coventry.—The motor car, motor cycle, and pedal cycle trades are active and satisfactory. The machine tool trade continues to improve.

Sheffield.—Activity in woodworkers' tools has shown a slight falling off during the past month, possibly due to the slackening in the building industry. The heavy and light engineers' tool trades are definitely better and there is a slight improvement in files. The outlook is hopeful.

Wolverhampton.—Constructional engineers continue to be well employed, and general engineering firms are in some cases working at full capacity. Prior to Whitsun there was a spurt in the motor and motor accessory trades.

Glasgow.—Activity in the shipbuilding and marine engineering industries is well maintained. There is a pronounced improvement in the Clydebank area, where Messrs. John Brown & Co. Ltd., are working on the new Cunarder. About 1,500 men are now employed on the hull and engines of this vessel. In addition the firm have on the stocks a large motor ship and two destroyers, and it was announced recently that they have been entrusted by the British Admiralty with a contract for a 9,000 ton cruiser. Makers of auxiliary machinery and machine tools are sharing in the improvement.

Metal and Hardware Trades

Birmingham.—The recent improvement in the tube trade continues and home trade is fairly good. Export business, however, is slow to recover, and severe competition is encountered from the Continent on account of excessive price-cutting. Business in the cold brass and copper sections is still good. Prices are unchanged.

Sheffield.—Current reports are variable. On the whole there is a slight slackening, which may be seasonal. Compared with previous years the general trend is upwards.

Wolverhampton.—The lock trade is sharing in the general improvement, but business in edge tools shows signs of falling away. The hollow-ware trade is maintaining a fair level of business. Keen competition exists, but in both the enamelled and aluminium sections orders have been steady.

Cotton

Liverpool.—Following a decline of approximately ¼d. per pound, the market has recently been steadier, a firmer undertone prevailing. The Bankhead Bill, the effects of which had been fully discounted, is disappointing and generally admitted to be virtually useless. In its final form the Bill allows unlimited ginning without payment of tax until cotton is sold, and is in force for one year only. Business continues very small, but as the growing season progresses more activity is anticipated, and the crop reports will be of great interest, particularly in

view of the prospect of a very small acreage figure this year. The spot market has been generally very quiet, especially in American growths, but recently an improved demand for Brazilian and other outside growths has been noted, considerable business being done at cheap rates. Manchester reports improved demand for both yarns and cloth. The Home trade continues active, and Indian enquiries have been more encouraging.

Wool

Bradford.—Business has been very quiet, and prices have not been seriously tested. The German embargo upon wool imports has been extended to the end of May.

Hawick.—Manufacturers have lately been receiving more confirmation for next winter, and with a fair number of repeat orders also on hand looms are better employed and a healthier tone prevails in the Border tweed trade. Hosiery and underwear manufacturers are doing a good trade, but there is still room for improvement, particularly as regards knitted woollen goods for outdoor wear. The wool market is rather unsettled at present, and the extension of the German embargo has not helped matters.

Other Textiles

Coventry.—The artificial silk industry is fully employed.

Dundee.—In the jute market orders are scarce. Business in all sections continues to be most restricted, and current prices are entirely unremunerative to spinners and manufacturers.

Dunfermline.—In the Fifeshire linen trade the home market is less active, while business with overseas centres remains very restricted. There has been no further improvement in the price of yarns and cloths, despite the continued high cost of the raw material. The flax and tow markets are still very quiet as spinners do not care to purchase much beyond their immediate requirements.

Clothing, Leather and Boots

Leeds.—The clothing trade has been very well employed. The period preceding Whitsun is usually the busiest season.

Northampton.—The improvement in the boot trade referred to last month has made little, if any, progress. Conditions are now dull and featureless. The leather market is distinctly quiet. Upper leathers continue firm, but recently there have been several cheap lines of bottom leathers sold, which seems to suggest that some tanners are endeavouring to reduce their stocks.

Shipping

Hull.—There is no improvement in the demand for tonnage. Owners, however, are now holding out for enhanced rates, particularly for the Baltic.

Liverpool.—Outward tonnage has been in slightly better demand at steady rates. In the River Plate section, the grain rate has risen by 9d. owing to a shortage of spot tonnage, and owners are holding off for a further advance. Atlantic-America trade is dull for all classes of cargo. Far Eastern and Australian rates are practically unchanged.

Newcastle-upon-Tyne.—Chartering is steady for the Baltic and Mediterranean. The latter market is on the basis of 5s. 9d. for West Italy.

Cardiff.—There is no material alteration in the freight market. Rates are well maintained, and are particularly steady for handy steamers, more especially for the Mediterranean direction.

Newport.—Coal freights have remained at the same deplorably low level, and there is far more tonnage in the market than is needed. There are now three vessels laid up in the dock. Liner services are well maintained to and from the port.

East of Scotland.—The coal export trade is rather quiet, and there were only fifteen vessels on loading turn at the Forth coaling ports in the middle of May. Other exports at the port of Leith have been fairly well maintained. There has been some falling off of imports, notably grain. Cottonseed and linseed, cement and wood also show declines.

Glasgow.—The supply of tonnage for the loading of coal for Baltic discharge is still rather limited, and rates are firm. Other sections of the freight market are very quiet. The Bay and coasting trades are almost completely idle, and Mediterranean business is of limited volume.

Foodstuffs

Liverpool, grain.—After a continuance of quiet conditions there has lately been more trade passing in wheat, and Plate shipments have realised somewhat higher prices. The level of 18s. 6d. must still, however, be considered very cheap for high grade milling wheat. Although in some quarters the Rome Conference has been described as a failure, important plans for minimum prices and reduced sowings have been initiated there, and the general effect on the market has been steadying. Maize has been a very stable market with some recent improvement in Plate values. Argentina at present appears to dominate the European trade completely; the scarcity of Danubian offers is said to be due to Government interference. It is believed that Roumania intends to institute a bounty on exports. A fair business has been done in home milled flour at practically unchanged prices throughout the period. More interest has been shown latterly in Continental descriptions, but only a limited demand exists for the Canadian and Australian product.

Liverpool, provisions.—Continental bacon had a steady sale throughout the month, at rather lower rates, and American hams were quiet and easier. Lard continued in good demand at the lowest prices for many years. Butter values remained fairly stationary; the low prices ruling for Continental descriptions interfered with the free sale of Empire products, but, generally speaking, an unusual consumption has been experienced compared with last year. Supplies are abundant and the continuance of low rates is necessary to deal with arrivals. Cheese was a disappointing trade, as the low prices for cheese manufactured in the United Kingdom from surplus milk supplies have disorganised the market. In the canned goods section, meats were steady at unchanged values and fruits showed an excellent demand at advancing prices.

Fishing

Brixham.—April landings showed a seasonal decline. Demand was quiet and prices were generally lower.

Lowestoft.—In the four months of the present year there has been an increase in the value of landings of wet fish amounting to nearly £500,000. Decreases in the quantities of

cod and haddock, the two principal species, were compensated for by the increased value of these two fish. The herring fishery was more active than usual in April. Negotiations have been opened for a contract with the U.S.S.R. for the sale of herrings during the coming curing season.

Penzance.—The past month has seen some large shots of mackerel by the East Coast boats, and prices have accordingly fallen. Cornish liners have done slightly better. Ray and skate have been sold at very high prices, and the demand for this class of fish is large. Soles, which are considered a luxury, have been down to 10d. a pound.

Scotland.—There is little doing at present in herring fishing as the North season has not yet properly started. A number of vessels are operating at both the Moray Firth ports and on the West Coast, and catches are making good prices. Fishermen and curers are both anxious that there should be some measure of Government support for the herring industry.

Other Industries

Paper-making and Printing.—Edinburgh reports a marked improvement in both the paper-making and printing trades. The paper mills are all busier, particularly those engaged in the higher class trade, and some fairly good export orders have been received. As a result certain of the mills are now running full time for the first time for a number of years. There is increased employment in both the book and commercial branches of the printing trade.

Pottery.—Longton reports that business generally shows a slight improvement over a year ago. Some manufacturers of the cheapest grades are really busy. The April export figures show a further small increase.

Timber.—Hull reports that the general tone is satisfactory, and importers are well pleased with the position. Inland merchants also report that they are finding plenty of work and are gradually reducing their stocks. Many orders are being missed owing to the lack of spot supplies, and this can be regarded as a good sign of the strength of the market.

Overseas Reports

Australia

From the National Bank of Australasia Limited

Internal trade activities and building operations continue to show an improvement and there is a marked increase in activity in the various sections of the motor industry. Exports have also maintained their recent high level, and there is a favourable merchandise trade balance of £32,000,000 for the nine months ended March. When gold exports are added, the favourable balance is increased to £38,000,000. Lower exports are anticipated for the next few months. Ample autumn rains have fallen in all States, except certain parts of South Australia. These assure sufficient supplies of winter stock feeds, and have given a good start to cereal crops. Low wheat prices have caused a further reduction of from 10 to 15 per cent. of sowings for the ensuing crop. Sentiment continues to oppose forced restriction of primary production.

Canada

From the Imperial Bank of Canada

This year's wheat production is likely to be governed by climatic and other crop conditions, and prices will depend upon world consumption and upon production in other countries, rather than upon any attempts at the international regulation of output. Apart from wheat the summer crop season, which has such an important bearing on fundamental business conditions in Canada, is starting with conditions generally favourable. All branches of agriculture, with the exception of wheat, are enjoying much more favourable marketing conditions, cattle, hogs and dairy products having advanced substantially. Industrial and trade activity continues to improve with the visible volume, as estimated by the Dominion Bureau of Statistics, at 93·1 compared with 68·0 a year ago. The lumber industry has been restored to a healthy position with expanding exports. The production of base metals at materially higher prices is increasing and gold mining is active. Manufacturing industries are for the most part active with increased production of steel, automobiles and textiles. Employment statistics are favourable and retail sales

continue to expand. Newsprint remains a black spot with low prices though there has been a substantially higher output and shipment.

India

Bombay.—The Bombay cotton market did not respond fully to the April fall in American cotton prices, as most of the Indian crop has already been marketed, and as supplies are small, sellers have been displaying caution. There has been a better enquiry for Manchester piece-goods, due to a decline in home prices, but actual business remains small. Replacing costs are about ¾ per cent. higher in standard lines, but when existing stocks have been cleared, fresh business in bulk will be possible. The activity in Japanese grey goods is well maintained at slightly higher prices, and retail activity in local goods has improved. The strike situation is helping clearances of stocks, and the outlook is more hopeful.

Calcutta.—Good rains in the jute growing districts have enabled cultivators to resume sowing. A quieter tone has therefore developed in the loose jute market, with sellers keen for business. New crop reports remain favourable. The baled jute market has declined sharply under heavy selling pressure. A moderate business has been done for near shipment.

Rangoon.—The rice market has been steady. There has been an unusually large off-take by India, and paddy has been firm. In view of the low level of prices the Indian demand is likely to continue and this should stabilise the market.

Irish Free State

Cold weather and heavy rains in the latter half of April caused delay in completing the spring sowings. Supplies of fodder and roots on most farms were adequate, but except in sheltered places pastures were bare and afforded little help for stock, though all classes are reported healthy. The number of cattle on offer at the fairs was about average with young conditioned animals and fancy heifers fetching good prices. Sheep supplies were below normal with a steady demand for fat sheep and lambs at improved rates. The total number of pigs sold also showed an increase on the previous month.

There is a substantially increased area under wheat, some counties reporting three times as much as last year. Barley, which was sown under favourable conditions, is also reported to cover an acreage of from 5 to 25 per cent. greater than in the previous season. Many new import duties, mainly on manufactured goods, are imposed in the budget, while income tax is reduced to 4s. 6d. in the £, but the concession of one-sixth for repairs in calculating the house property tax is withdrawn. The tax on tea is reduced from 6d. to 2d. per pound.

France

From Lloyds & National Provincial Foreign Bank Limited

The trade returns for the first four months of 1933 and 1934 are given below. All figures represent millions of francs.

	1933	1934
Imports	10,237	8,692
Exports	6,059	5,983
Adverse Trade Balance ...	4,178	2,709

Imports have fallen by Frs.1,545 millions, mainly because of a reduction of Frs.903 millions in imports of foodstuffs. Exports of foodstuffs and raw materials have both increased since last year, but exports of manufactured goods have decreased by Frs.415 millions. On the Paris Bourse French Government securities have consistently strengthened since a month ago, mainly due to the improved political situation and the general return of confidence. Money rates are also beginning to fall. The latest index numbers of production, covering the month of March, give a total figure of 105, compared with 100 in 1913. The figures for January and February were both 106, while a figure of 104 was recorded in March, 1933. During the year ended last March there was a slight fall in the iron and steel production index, and a heavier fall in the index for motor cars. The figures relating to the textiles paper and rubber trades all indicated advances.

Bordeaux.—Business in the wine market continues very quiet, practically no further orders having been received from America. The rosin market is limiting its transactions to the covering of immediate requirements in the hope that an

arrangement will be reached with the Government for subsidies to small producers to help them to compete in foreign markets.

Le Havre.—Business in raw cotton is almost dead. In some quarters February and March deliveries under monthly contracts were completed only in May, and many spinners are taking only half or less of their normal quantities. Prices have fallen in sympathy with those obtaining elsewhere. The revival of confidence in the French finances and renewed doubts regarding American monetary policy have led to the closing down of a number of speculative positions opened early in the year, and it is hoped that this will bring into being a saner and more stable market. The mills are continuing to work short time. The long-awaited improvement in the coffee market has not materialised, and prospects for the near future are not now considered to be bright. Conditions in the retail trade are poor and merchants are called upon to allow continual delays in delivery. New business is difficult to obtain and the whole trade is affected by political influences and varying rumours with regard to the discussions over a new Commercial Treaty with Brazil. Quota arrangements, which are continually changing, also contribute to the uncertainty of the market.

Lille.—The situation in the textile industry shows no sign of any improvement. Russian flax has fallen in price by about £1 per ton, but its cost is still much too high in comparison with yarn prices. Business in cotton yarns is restricted to carrying immediate small requirements and the demand for both cotton and linen fabrics is stagnant. In the oilseed-crushing industry stocks are fairly large, but the situation is considered sound and the price of oil is firm with a normal volume of business.

Marseilles.—There has been a slight improvement in Coromandel and Nigerian groundnuts, prices having moved up in sympathy with those ruling in North European markets. The season's total exports to India at 424,900 tons compare with 379,750 tons for the same period last year. The volume of trade in Marseilles, both for these and for French nuts, remains very restricted with little business during the past month. Prices are now firmer and may improve as stocks diminish. There has been very little business in copra, but the general impression is that prices have now touched bottom,

and may go slightly better. Olive-oil has been a little firmer in price, but business continues very quiet.

Roubaix.—The embargo on the entry of wool-tops into Germany and the absence of that country from the market, coupled with uneasiness as to the general position, has caused a sharp fall in wool prices. The decline in Roubaix futures last week was nearly 10 per cent. and buyers are naturally holding off. Local consumption of tops is also falling. The activity of the combing section has greatly declined, and there is little prospect of improvement. In spinning the position is less favourable than a month ago, but hopes are entertained of an improvement next month. Prospects, however, are not good. The weaving and finishing position is worse, and unemployment is steadily increasing.

Belgium

From Lloyds & National Provincial Foreign Bank Limited

Brussels.—An increase in the demand for bar and heavy sheet-iron has brought about a more normal situation, while, owing to a revision of prices resulting from a decrease in freight for the Far East, a revival of business in that direction is expected. The market for semi-finished products remains active, especially as regards exports. Business in coal continues quiet with no improvement in the demand for industrial qualities. Limitations on Dutch imports of cement have made competition in the Belgian market keener than ever. Total exports of cement remain unchanged, but those of the Union Belgo-Luxembourgeoise have increased to 84,208 tons in March, 1934, against 75,741 tons last year.

Antwerp.—With the exception of rubber, trade continues lifeless. Wool and hides have dropped in price following the German embargo on imports. The recent quarterly auction sales of ivory produced somewhat better prices, higher grade qualities showing an increase of from 20 to 30 per cent. The diamond market continues unfavourable.

Germany

Unemployment is returned at 2,609,000 for the week ended May 5th, against 2,798,000 a month before and 5,331,000 a year before. Car-loadings are well maintained at about 11 per cent. above last year's level. Wholesale prices remain

very steady. Coal and coke production has lately been increasing, and there has been a definite improvement in the iron and steel, engineering and building trades. By the end of last March the entire sum of Rm.3,800 millions allocated to finance " employment creation " had been allotted to various schemes. About Rm.2,900 millions had been allotted by the end of 1933, including Rm.956 millions for transport and communication projects; Rm.856 millions for road construction, bridges, regulation of rivers and public utilities; Rm.722 millions for housing; Rm.322 millions for land reclamation and agriculture; and Rm.70 millions for relief purposes. Most of this work is being carried out by public bodies, and the finance so provided mainly consists of long-term loans by the Reich, repayable at the end of 20 to 25 years. The money is raised by the Reich in its turn by the issue of " warrants " through semi-public credit institutions. The warrants, which are guaranteed by the Reich, are drawn by the actual contractors, and are endorsed by the body carrying out the project. They can be rediscounted at the Reichsbank and, while of a nominal term of three months, are renewed upon maturity until redeemed by the Reich. One-fifth of these employment warrants must be redeemed each year, and the Reich will have to carry the finance of these schemes between the final maturity of the warrants and the ultimate repayment of the long-term loans.

Holland

Negotiations with regard to trade treaties continue with Great Britain, Germany and other countries, while discussions are to be opened shortly with Japan on trade relations between Japan and the Dutch East Indies. It is hoped that the sugar question will be brought forward as a subject of negotiation. Attention is being increasingly devoted to the community of interests between Holland and the Dutch East Indies. Restriction schemes have improved the outlook for tea and rubber, and sales by tender of Sumatra tobacco have yielded satisfactory prices. It is hoped that discussions in the Lower Chamber with regard to instituting a transport fund to co-ordinate inland transport may put an end to the loss of running the railways which the institution of an Agricultural Crisis Fund would bring under one head all present lines in aid of agriculture. With these and other readjustments of

business life it is hoped to restore Dutch industry to some semblance of prosperity after the bad time from which it has been suffering. The recent National Debt conversion operation has proved a complete success, and the new bonds are quoted at a premium.

Norway

The Central Bureau of Statistics have issued the following estimates of Norway's balance of payments :—

	1932 Kr. mill.	1933 Kr. mill.
Import surplus	121	106
Net interest payments ...	86	83
Total net payments ...	207	189
Net whaling receipts ...	−2	28
Net shipping earnings ...	188	195
Tourist receipts	30	30
Sundries	29	22
Total net receipts ...	245	275
Net surplus	38	86

During 1933, Norway's net commercial indebtedness to foreign interests was reduced by Kr.51 millions, and her funded (mainly State) indebtedness by Kr.191 millions. This makes a total reduction of Kr.242 millions, but after correcting the figures to allow for fluctuations in exchange rates and security prices, the reduction comes to only Kr.83 millions. This figure corresponds very closely with her net surplus of Kr.86 millions received on current account for the year. The budget outlook is good, and the financial year should close without a deficit. The Government has placed a new 4 per cent. loan of Kr.40 millions with the banks and insurance companies in order to provide relief to the farmer. The Bank of Norway and the Norwegian Bankers' Association have issued a warning against the indiscriminate purchase of new tanker tonnage, and the banks propose to use due discretion in granting credit for the purpose of financing such purchases. Agreements have been reached with Russia for the sale of 45,000 barrels of salted herring (at Kr.11·15 per barrel), 1,800 tons of cured fish, and 70,000 tons of new season's grain.

Sweden

There has been a general improvement in employment, particularly in the iron and textile trades. The turnover in the produce markets has continued to expand and there was a rise of 44 per cent. in the volume of Sweden's visible foreign trade for April as compared with the corresponding month a year ago. The wood goods and paper pulp markets continued steady with prices firm. By the middle of May the total sales of timber were estimated at 600,000 standards since the beginning of the year against 410,000 standards a year ago. 80 per cent. of the present year's pulp output has already been sold. Chemical and mechanical pulp are still a firm market, but there is little change in the paper market. Still, newsprint mills are well supplied with orders for the current year. The iron market has maintained its firm tone, and production continues to expand.

Denmark

This month's news is rather more encouraging. The labour disputes among the seamen and slaughter-house hands have now been settled. The previous fall in the price of butter to Kr.120 has stimulated consumption, and prices have now recovered to Kr.135. The 1933 balance of payments was sufficiently favourable to permit of some reduction in Denmark's net external indebtedness, while the depreciation of the dollar against the kroner has also lightened the burden of Danish debts to the United States. As a result, Denmark's net foreign debt was reduced during 1933 from Kr.1,512 to Kr.1,347 millions. The latest results of the state railways are relatively good, while during the past month the total of laid-up shipping was reduced from 155,946 to 101,439 tons d.w. A year ago the figure was about three times as high. Foreign trade for the past quarter of 1934 is as follows :—

	1933 Kr. mill.	1934 Kr. mill.
Imports	288·8	301·4
Exports	262·7	257·1
Re-exports	12·8	14·3
Import Surplus ...	13·3	30·0

It is calculated that the improvement in shipping earnings and the lightening of the cost of the service of the American loans will readily cover the increase in the import surplus.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

General trading conditions remain substantially unchanged. Interest has lately been concentrated on the transfer negotiations in Berlin, and considerable anxiety was felt as to their outcome. Inasmuch as Switzerland is by far the largest purchaser of German goods, it was felt that Swiss creditors of Germany should have special preference. The Banque d'Escompte Swisse has had to close down owing to the failure on the part of the Cantonal Government of Geneva to carry out its part of the agreement made to assist and reconstruct the bank a year ago. It is hoped that depositors will eventually be paid in full, but much patience will be needed owing to many of the assets being frozen in other countries. The balance sheet of the Banque Nationale, dated May 7th, showed that the drain of gold which had been going on for some weeks had been arrested.

Spain

Exports for the first two months of this year amounted to 95·6 million gold pesetas and imports to 137·9 million gold pesetas, as compared with exports of 111 million gold pesetas and imports of 102·5 million gold pesetas for the same period in 1933. Whilst all classes of imports show an increase, the heaviest being in cotton and machinery, the principal decline in exports occurs in fresh fruits. Olive-oil quotations have fallen to the lowest price since 1917, and foreign tariffs, quotas and exchange restrictions are causing great distress in the industry. Spinning and weaving industries are very depressed by the restricted demand in the home market which absorbs 90 per cent. of Spain's production. Notwithstanding the falling tendency of interest rates and the evidence of abundance of money, the Minister of Finance has announced that a reduction in the discount rate must be preceded by a period of stability and confidence. The political crisis produced by the Amnesty Act, though solved with slight ministerial modifications, had a depressing effect on markets generally.

The United States

As almost exactly a year has elapsed since the Administration first initiated schemes designed to raise commodity prices, the following table is of interest :—

		May 5th, 1933.	May 4th, 1934.	Percentage Increase or Decrease.
FARM PRODUCTS.		$	$	%
Wheat	Per bushel	1·02⅜	·97¾	− 4·5
Corn	" "	·58⅝	·61¾	+ 5·3
Rye	" "	·73	·71⅞	− 1·5
Oats	" "	·37½	·43	+ 14·7
Butter	" lb.	·22¾	·25	+ 9·9
Eggs	" doz.	·15¼	·16⅜	+ 7·4
Lard	" lb.	·0615	·0380	− 38·2
Pork	" barrel	17·75	20·25	+ 14·1
Beef	" "	12·50	12·75	+ 2·0
Cotton	" lb.	·0855	·1130	+ 32·1
Wool tops	" "	·72	1·08	+ 50·0
Hides	" "	·09	·11	+ 22·2
Aluminium	" "	·2330	·21	− 10·9
Copper	" "	·0675	·0850	+ 25·9
Lead	" "	·0350	·0425	+ 21·4
Zinc	" "	·0410	·0475	+ 15·8
	Average increase	...	...	+ 8·5
SEMI-MANUFACTURED PRODUCTS.				
Foundry Iron	Per ton	14·34	20·26	+ 41·2
Steel billets	" "	26·00	29·00	+ 11·5
Printcloths	" yard	·04⅛	·06⅜	+ 54·5
Flour	" barrel	5·15	6·40	+ 24·2
	Average increase	...	...	+ 31·8
IMPORTED COMMODITIES.				
Coffee	Per lb.	·08¼	·10⅜	+ 25·7
Cocoa	" "	·0445	·0550	+ 23·6
Sugar (raw)	" "	·0340	·0278	− 18·2
Antimony	" "	·0625	·0860	+ 37·6
Silk	" "	1·62½	1·30	− 20·0
Rubber (crude)... ...	" "	·0468	·15	+220·5
Quicksilver	" flask	62·00	76·50	+ 23·3
Tin	" lb.	·3225	·5335	+ 65·4
	Average increase	...	...	+ 33·8

The average increase of 8·5 per cent. in farm products is small in comparison with the efforts of the Administration to raise prices in this category, but semi-manufactured products

have risen to a greater extent. Imported commodities are governed by the depreciation of the dollar against foreign currencies and by world market conditions.

During May, the National Recovery Administration was faced with some discontent. Steel manufacturers and public utility companies complained that higher wages and shorter hours had raised their costs of production, while the silk industry had to close down altogether for a week in May. The American Federation of Labour also claimed that ground had been lost since last October, and it is stated that unemployment has risen since that month from 10,122,000 to 10,900,000. Even so, this later figure compares favourably with the peak figure of 13,689,000 for March, 1933. Trade reports up to early May were favourable. Retail business was active, and car-loadings progressively increased. Business failures were only half what they were a year ago. More latterly, however, there have been signs of a recession, coupled with widespread labour disputes. Money remains easy, and the banks are unable to find sufficient credit-worthy borrowers.

As regards individual trade reports, there has been moderate buying of raw sugar, and prices are a shade firmer. Exports from Cuba to the United States show for the year to date a decrease of 17 per cent. in volume below those for the same part of last year. Stocks in Cuba have also fallen from 2,892,000 to 2,449,000 tons during the year ended April 28th. The whole industry, however, is now being reorganised by fresh legislation, including various controls and a processing tax, and the opinion is expressed that as a result London will become the world's leading sugar market. The rubber market has been very excited as the result of the new world restriction scheme, and prices have risen to the highest point for four years. The copper market has been disappointing, and tin has been irregular. Steel production averaged during April 57 per cent. of capacity. Automobile production during the same month amounted to about 390,000 cars, and May schedules foreshadowed a similar quantity. The raw cotton market has been weak. It is thought that those farmers who received an option on Government-owned cotton at 10 cents a lb. as compensation for acreage abandonment, have lately been exercising their option and selling this cotton at a small profit.

Japan

The latest trade returns are given below, all figures representing millions of yen :—

	April, 1933	March, 1934	April, 1934
Imports	157·0	206·0	208·0
Exports	133·0	175·0	164·0
Import Surplus ...	24·0	31·0	44·0

The import surplus for the first four months of 1934 amounted to Y.109·8 millions, or about 77 per cent. below the corresponding surplus for last year. During April most exports showed an increase over those of the previous April, but the improvement was to some extent off-set by a decline in raw silk exports. The raw silk market is still dull, owing to unfavourable conditions abroad and the large increase shown by the spring crop. Prices have weakened. The cotton yarn and rayon market is firmer, and rayon production has reached a new high record. The new regulations governing exports of cotton piece-goods to India came into force on May 5th. It is expected that Associations of exporters of matches and electric lamp bulbs will be formed before long. Shipping shows some improvement, due to the greater stability of the yen and the upward trend of freights. Wholesale prices remained unchanged during April.

Banking

1. BANK OF ENGLAND

Date.	Issue Department.		Banking Department.				
	Gold.	Notes in circulation.	Reserve and Proportion.		Bankers' Deposits.	Govt. Securities.	Discounts &Advances.
1933.	£ mn.	£ mn.	£ mn.	Per cent.	£ mn.	£ mn.	£ mn.
May 24	*186·0*	*369·9*	*77·1*	*50·6*	*99·2*	*70·0*	*11·6*
1934.							
May 2	191·2	378·5	73·6	45·9	116·2	89·3	5·3
May 9	191·2	378·8	73·3	48·0	109·1	81·5	5·3
May 16	191·2	378·4	73·6	50·1	99·9	75·4	5·3
May 23	191·3	379·6	72·5	49·3	98·2	76·5	5·3
May 30	191·3	378·1	74·0	49·4	99·4	76·9	5·6

2. LONDON CLEARING BANKS

Date.	Deposits.	Acceptances.	Cash.*	Call Money.	Bills.	Investments.	Advances.
1933.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
April	*1,930·4*	*94·2*	*261·9*	*104·7*	*337·8*	*517·2*	*763·6*
November	1,928·0	114·0	259·9	98·6	317·1	569·0	737·3
December	1,941·3	116·3	263·6	119·5	311·3	564·6	735·6
1934.							
January	1,920·5	116·8	268·6	129·7	284·3	557·6	734·6
February	1,867·3	118·0	252·3	117·5	249·8	560·1	741·9
March	1,830·6	112·8	262·4	120·4	202·1	547·1	753·0
April	1,852·5	112·3	270·2	132·3	211·6	533·7	758·7

* Includes balances with other banks and cheques in course of collection.

3. LONDON CLEARING BANKS CURRENT, DEPOSIT AND OTHER ACCOUNTS

Date.	Current Accounts.	Deposit Accounts.	Current Accounts as Percentage of Total.	Date.	Current Accounts.	Deposit Accounts.	Current Accounts as Percentage of Total.
Average.	£ mn.	£ mn.	%	1933.	£ mn.	£ mn.	%
1929	940	798	54·1	April ...	950	939	50·3
1930	921	820	52·9	May ...	962	938	50·6
1931	895	804	52·7	June ...	1,006	942	51·7
1932	867	883	49·5	July ...	993	933	51·5
1933	978	930	51·3	August ...	990	928	51·6
				September	989	924	51·7
				October ...	983	916	51·8
				November	980	905	52·0
				December	1,015	900	53·0
				1934.			
				January ...	974	893	52·2
				February...	931	881	51·4
				March ...	910	880	50·8
				April ...	919	890	50·8

Money, Exchanges and Public Finance

1. LONDON AND NEW YORK MONEY RATES

Date.	London. Bank Rate.	London. 3 Months' discount Rate.	London. Day-to-day Loans.	New York. Re-discount Rate.	New York. 90 Days' eligible Bank acceptances.	New York. Call Money.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
1933. May 24 ...	*2*	*7/16—½*	*½—1*	*3*	*⅜*	*1*
1934.						
May 2	2	15/16	¾—1	1½	¼	1
May 9	2	⅞—29/32	¾—1	1½	¼	1
May 16	2	⅞—15/16	¾—1	1½	¼	1
May 23	2	⅞—15/16	¾—1	1½	¼	1
May 30	2	15/16	¾—1	1½	¼	1

2. FOREIGN EXCHANGES

London on	Par.	1933. May 24.	1934. May 2.	1934. May 9.	1934. May 16.	1934. May 23.
New York ...	$4·866	3·92⅛	5·12	5·12⅛	5·10⅞	5·08⅜
Montreal ...	$4·866	4·48¼	5·10⅜	5·10⅛	5·10⅝	5·08
Paris	Fr. 124·21	86	77 9/32	77 13/32	77 11/32	77 1/32
Berlin	Mk. 20·43	14 15/32	12·94	12·95½	12·91½	12·91⅛
Amsterdam ...	Fl. 12·11	8·40½	7·53	7·54	7·53½	7·50
Brussels ...	Bel. 35	24·30	21·83	21·88	21·85	21·74
Milan	Li. 92·46	65 1/16	59 29/32	60⅛	60 1/16	59¾
Berne	Fr. 25·22½	17·54	15·73	15·76	15·71	15·63
Stockholm ...	Kr. 18·16	19·47⅛	19·40	19·40	19·40	19·40
Madrid ...	Ptas. 25·22½	39⅝	37 9/32	37 11/32	37 11/32	37⅛
Vienna ...	Sch. 34·58½	31*	28*	28*	28*	28*
Prague ...	Kr. 164·25	113¾	122 9/16	122⅝	122 9/16	122
Buenos Aires ...	47·62d.	41¾†	36⅝†	36½†	36⅝†	36⅝†
Rio de Janeiro	5·89d.	4¾†	4⅛†	4⅛†	4⅛†	4¼†
Valparaiso ...	Pes. 40	55·45†	49·84½†	49·95†	49·95†	49·70†
Bombay ...	18d.	18 1/16	18 3/32	18 1/16	18 1/32	18
Hong Kong ...	—d.	16⅞	16¾	17½	16⅞	17¼
Kobe	24·57d.	1/2¾	1/2¼	1/2 7/32	1/2 7/32	1/2¼
Shanghai ...	—d.	14⅞	15 1/16	15¾	15¼	15⅝

* Nominal. † Official rate.

3. PUBLIC REVENUE AND EXPENDITURE

Revenue.	To May 19, 1934.	To May 20, 1933.	Expenditure.	To May 19, 1934.	To May 20, 1933.
	£ mn.	£ mn.		£ mn.	£ mn.
Income Tax ...	12·0	14·6	Nat. Debt Service	39·0	36·7
Surtax	4·1	4·4	Northern Ireland Payments...	0·4	0·5
Estate Duties ...	10·0	9·0	Other Cons. Fund Services...	0·3	0·3
Stamps	1·4	1·4	Supply Services ...	54·5	55·5
Customs... ...	24·6	23·4	Ordinary Expenditure ...	94·2	92·9
Excise	14·9	16·6	Sinking Fund	—	—
Tax Revenue ...	67·8	70·0	Self-Balancing Expenditure ...	9·2	9·2
Non-Tax Revenue	10·3	7·8	Payments to U.S. Government	—	—
Ordinary Revenue	78·1	77·8			
Self-Balancing Revenue	9·2	9·2			

1. PRODUCTION

Date.	Coal.*	Pig-Iron.	Steel.
1933.	Tons mn.	Tons thou.	Tons thou.
April	*3·9*	*325*	*513*
November	4·4	375	695
December...	4·5	409	669
1934.			
January	4·7	441	711
February	4·8	414	707
March	4·6	504	834
April	4·4	496	717

* Average weekly figures for month.

2. IMPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1933.	£ mn.	£ mn.	£ mn.	£ mn.
April	*26·4*	*13·0*	*11·4*	*51·1*
November	32·0	17·0	14·5	63·7
December	30·3	18·9	13·6	63·2
1934.				
January	29·1	21·3	13·9	64·7
February	25·6	18·2	13·2	57·4
March	28·7	18·2	14·8	62·0
April	25·5	17·1	13·5	56·3

3. EXPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1933.	£ mn.	£ mn.	£ mn.	£ mn.
April	*1·8*	*3·1*	*20·6*	*26·4*
November	2·9	4·3	25·7	34·4
December	2·4	3·6	22·6	30·4
1934.				
January	2·6	3·9	24·2	31·6
February	2·6	4·0	22·7	30·1
March	2·3	4·1	25·6	33·1
April	2·3	3·8	23·2	30·1

4. UNEMPLOYMENT

Date.	1928.	1929.	1930.	1931.	1932.	1933.	1934.
End of—	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
January	10·7	12·2	12·6	21·5	22·4	23·1	18·7
February ...	10·4	12·2	13·1	21·7	22·0	22·8	18·2
March	9·5	10·1	14·0	21·5	20·8	22·0	17·3
April	9·5	9·9	14·6	20·9	21·4	21·4	16·7
May	9·8	9·9	15·3	20·8	22·1	20·5	
June	10·7	9·8	15·4	21·8	22·3	19·5	
July	11·6	9·9	16·7	22·6	22·9	19·6	
August	11·6	10·1	17·1	22·7	23·1	19·2	
September ...	11·4	10·0	17·6	23·2	22·9	18·4	
October ...	11·8	10·4	18·7	21·9	21·9	18·1	
November ...	12·1	11·0	19·1	21·4	22·2	17·9	
December ...	11·2	11·1	20·2	20·9	21·7	17·6	

Percentage of Insured Workers.

Prices

1. WHOLESALE PRICES (average for month)

Date.	Index Number (Sept. 16th, 1931 = 100). U.K.	U.S.A.	France.	Italy.	Germany.
1933.					
April	*99·5*	*82·9*	*87·0*	*86·2*	*83·3*
November	105·2	104·0	86·5	84·1	88·2
December	105·4	104·0	87·4	84·5	88·4
1934.					
January	107·7	104·8	87·6	84·7	88·5
February	109·5	106·9	86·8	84·3	88·4
March...	107·7	107·7	85·9	84·1	88·1
April	106·7	106·3	85·8	84·1	88·0
May 1st week	106·5	107·3	85·0	83·7	88·1
May 2nd week	106·5	109·0	85·6	83·9	88·0
May 3rd week	106·5	109·3	85·2	83·9	88·3
May 4th week	106·5	109·5	84·7	83·9	88·5
June 1st week	106·5	109·9	—	—	88·7

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Generale; Italy, Italian Chamber of Commerce; Germany, Statistische Reichsamt.

2. RETAIL PRICES (end of month)

Date.	Food.	Rent (including rates).	Clothing.	Fuel and Light.	Other items included.	All items included.
1928.—*April* ...	*54*	*51*	*120*	*70*	*80*	*64*
1930.—*April* ...	*29*	*54*	*95–100*	*75*	*75*	*47*
1932.—*April* ...	*25*	*53–54*	*90*	*70–75*	*75*	*43*
1933.						
April	*14*	*55–56*	*85*	*65–70*	*70–75*	*36*
November ...	26	56	85	70	70–75	43
December ...	24	56	85	70–75	70–75	42
1934.						
January	22	56	85	70–75	70–75	41
February... ...	20	56	85	70–75	70–75	40
March	18	56	85	70–75	70–75	39
April	16	56	85	70	70–75	37

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat, No. 1 N. Manitoba.	Cotton, American Middling.	Wool, 64's tops avge.	Pig-Iron, Cleveland No. 3.	Tin, Standard Cash.	Rubber, Plantation Sheet.
1933.	per qr. s. d.	per lb. d.	per lb. d.	per ton. s. d.	per ton. £	per lb. d.
April						
November ...	26 8	5·25	35¾	62 6	226 $\frac{13}{16}$	4 $\frac{1}{16}$
December ...	26 7½	5·26	37	62 6	227¼	4⅛
1934.						
January	28 1	5·87	40⅛	62 6	226 $\frac{11}{16}$	4¼
February... ...	28 6	6·58	38	65 0	226 $\frac{13}{16}$	4 $\frac{13}{16}$
March	28 6½	6·55	37⅜	67 6	223 $\frac{15}{16}$	5⅛
April	27 9	6·27	36 $\frac{11}{16}$	67 6	239 $\frac{5}{16}$	5⅜